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GENERALIZED POLITICAL EXCHANGE

Preliminary Considerations

B e r n d   M a r i n

Badia Fiesolana, San Domenico di Fiesole (Firenze)

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Badia Fiesolana  
50016 San Domenico di Fiesole (FI)  
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"Exchange" Notions as Media of Social Scientific Exchange -  
A Cautionary Analogy, Yet Another Attempt at Conceptual Currency  
Reform

"Exchange" is an old, widely circulated, yet highly precarious conceptual currency in social science discourses. As with systems theoretical notions, "exchange" language is almost universally accepted if not used as a medium of exchange of ideas within and across disciplinary boundaries. But extensive circulation, widespread usage within a multiplicity of communications and ever new emissions by ever new theoretical issuing offices does, by itself, not insure the declared value. On the contrary, the oversupply of "exchange" notions inflates their exchange value: It became an intellectual currency which is always around in some way or the other without buying and that is explaining too much.

This very devaluation process can be understood in pursuing the analogy between conceptual currency and money a bit further. "Exchange" notions have not become theoretical notes yet (and probably never will). Unlike treasury notes or legal tender, guaranteed by a single, respected, monopolist authority - such as a government guaranteeing a currency or a bank guaranteeing checks or bank deposits - "exchange" theory is no promise to explain yet, backed by an uncontested intellectual authority and to be transferred as transferable cognitive tool to pay one's explanatory obligations.



Rather, it resembles primitive chains of obligations or modern "private money", which would constantly overstep the boundaries of their domain proper. Premodern and private bills of exchange, in principle, are of highly restricted use: They are fully accepted in some cosmopolitan villages called "disciplines", in certain small, closely-knit theoretical communities called "paradigms", or within theoretical shops named "schools" only.

Consequently, their dependence on mutual trust and confidence among adherents of the same creed allows for a cancelling out of explanatory obligations in short cycles, within the paradigmatic tribe only. Other tribes within or even outside the disciplinary territory simply ignore the presumably worthless pieces of paper regulating exchange within the tribe. But even here, primitive transaction-chains are in permanent danger of being blown up by just one important "outsider" in the chain; hence, the obsession of scientific tribes with thought control and "treason", doxa and heresy.

If we compare the manifold "exchange" notions in contemporary social science discourses with monies guaranteed by private parties only - such as credit accounts of a stores' customers or a credit card company - the result is similar: Each can be spent in certain theoretical areas and even magazines only; it will be accepted exclusively as illiquid assets; transfers to outside its original theoretical domain are strictly limited or costly -



"exchange" concepts can be transferred to other theoretical realms at expensive discount only.

This situation reminds of an historical constellation before the development of modern money. Like early notes, "exchange" notions are restricted to given circles of social acquaintanceship and intellectual trading areas, should they actually pay. There are competing local "exchange" notions of different paradigms within each disciplinary terrain, usually preferred over general theoretical notes issued by a central intellectual authority - such as "economics" often claims within the human and social sciences.

Thus, there is an ongoing struggle over the imposition of a single theoretical tender by this discipline, enjoying the greatest reputation and confidence, and other trusted and respected intellectual "schools". As "economist" or "rational choice" notions are not universally as acceptable to intellectual creditors as other debtor's notes, they recurrently fail to circulate and accumulate in the hands of most trustworthy paradigmatic leaders, whose own "exchange" notions circulate. Their acceptability depends on the reputation and known resources of the conceptual issuer and guarantor.

This would not constitute any problem, as long as these theoretical special purpose monies were not overdrafted and increasingly used outside their limited domain proper. But as with



credit cards in contemporary Western societies, there is a trend towards an ever-widening range of theoretical, explanatory obligations covered by some kind of "exchange" concept as valid currency. Though a non-universal theoretical money, it invites to shop around intellectually in ever new areas. Yet, how to prevent to use another conceptual "exchange" card than the one adequate in a given situation? What generally used private monies actually buy in other fields in terms of explanatory power is quite uncertain: Exchange rates with other conceptual monies are extremely fluctuating and instable; speculations are the rule while constant holding is highly risky; inflationary use is hard to prevent; "black" and other secondary currencies to fall back on emerge etc. But why, then, is some "exchange" currency still used and trusted at all, even more, why is it time and again issued anew instead of switching to another, more solid medium of scientific exchange?

One possible reason for this loyalty to such a problematic conceptual medium might be the silent presumption of high securities. For all that, it is still a main currency of the one most important disciplinary empire within the humanities, that is economics, which founded its intellectual production on this conceptual resource. Being of such powerful heritage might feed the expectation, that "exchange" notions are part of a medium which, finally, will pay its way to explain the world in all its complexities out of a few, simple principles.



Acting upon this idle hopes, a number of prominent social scientists continually attempted, over the last decades, either to smuggle in or "imperialistically" impose economistic notions of "exchange" to replace or reconvert other - anthropological, political science, sociological, social psychological - theoretical currencies of "exchange". In this respect, endeavours to redefine everything from interpersonal relations to international warfare as "exchanges" are equally telling as the efforts to reinterpret all kind of social and political exchanges by the economic model of perfect market competition - political exchange being market relations between political actors.

This levelling out of intellectual domains by overdrafting one special, economic "exchange" concept, I hold, will not restore and stabilize the conceptual "exchange" currency but, at the contrary, further inflate it. Instead, a fundamental theoretical currency reform on "exchange" concepts in political and social theory seems necessary, basic prerequisites of which have already been laid ground in as different areas as economic and cultural anthropology, functional systems theory, network analysis, interorganizational and collective decision theory, policy sciences, political economy and political sociology, corporatist neo-institutionalism etc. While none of these approaches has yet come up with a single and definite convincing framework of "political exchange", each of them could contribute to raise the explanatory power of such a notion.



But restoring the theoretical exchange value of "exchange" concepts renders necessary specializing them: Instead of a fashionable rational choice exchange notion, which might be universally interchangeable, but values and buys little in certain world areas to be explained by social science, a less convertible, more domain-specific or special purpose conceptual currency such as "political exchange" might do and do better than a flimsy flimsy, catching all and nothing in particular.

This is exactly what I am proposing to do in this paper, introducing the concept of "generalized political exchange" as a kind of theoretical voucher in social science. While its use is restricted to explain a specific class of phenomena only, it should allow to understand them more fully than those "exchange" notions which claim to explain absolutely everything - a little bit only. What the new conceptual currency of "generalized political exchange" is claimed to explain is just what the still prevalent market models of exchange define out of possible understanding: The logic of ongoing risky transactions between organized, collective actors with functionally interdependent, yet competing or even antagonistic interests, and not to be regulated (sufficiently) by legal-contractual devices.

This paper is part of a series of preliminary considerations on "generalized political exchange". It sets out to argue how a specific and most precarious class of macropolitical-economic transactions can be better understood by the new concept and what



distinguishes extended networks of interdependent transactions within an economic policy community from simple, dyadic barter between state and interest associations - the prototypical exchange constellation in what could be called the Italian model (Parri 1985). A second, closely related paper (Marin 1985 a) concentrates on the logic of "generalized political exchange" and on problems of analysis: How is it possible at all and what makes it so difficult (yet promising) to study it. A third paper (Marin/Wagner 1985) develops the key notion of "market hierarchies" and reconstructs macroeconomic management - the single most important dimension of governance in advanced industrial societies - as "generalized political exchange" - claiming to provide a non-institutionalist alternative to the various (pluralist, corporatist) paradigms of neo-institutionalism.

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The new concept can be clarified by analyzing typical macroeconomic-political transactions to be understood as "exchange"; but what exactly constitutes a case in point cannot be determined without some theoretical preconceptions. A non-arbitrary way-out of this inevitable hermeneutical circle requires, as will be seen, recourse to economic models as well as to everyday political experience and common sense.



POLITICAL EXCHANGE: WHAT IS A CASE IN POINT?

Defining political exchange as mutually contingent, macropolitical and -economic transactions between autonomous, organized, collective actors with divergent/competitive/antagonistic, but functionally interdependent interests, the binding character of which cannot be based on law and contract, does not lead very far in specifying the notion. But it does, at least, cut out ab initio a wide range of phenomena often loosely associated with political exchange, which actually might be understood more precisely by other concepts.

Clientelistic patronage for instance, and corresponding deals between a tutelary party machine and individuals or groups of citizens; interactions between elected representatives as legislators and their constituencies; negotiated agreements between political parties and, more generally, coalition behavior and alliances between territorially-based interest organizations; lobbying in public offices; cartel arrangements between oligopolist firms; bargaining between management/organizational leadership and work force/rank and file; haggling between ministerial and subordinate service agencies; governmental decision-making; mergers, interlocking directorates or other forms of vertical integration between companies; strategic intermarriage to underpin interorganizational relations by kinship ties; vote "buying" (as different from vote trading) are just a few examples



of exchange-related and politically relevant patterns which do not constitute political exchange according to the initial definition.

But, then, what is it what is to be covered and explained by a specified and theoretically elaborated notion of generalized political exchange, what cuts out so many most interesting phenomena and, at the same time, has not been understood sufficiently by existing conceptualizations yet? Let us start with a meanwhile "classical" example, which has become a downright paradigmatic case of political exchange, in order to see to what an extent the transaction analysed and the analytical tool derived from this analysis hold generally.

#### Scambio Politico

Pizzorno (1978), in his seminal essay which started an ongoing theoretical debate in social science, focuses on the following most elementary constellation.

"A factory decides to close. Although the market power of the workers affected is then by definition nil, since there is no demand for their services, they or their union take an action which obtains some total or partial revision of the management decision. How is this possible? The answer is often in terms of political pressure or political power exercised by the union. Some gain has been obtained in exchange for something 'political'. What kind of exchange is then taking place here? What kinds of goods



are being traded in this political market? While in the atomistic market more gains were obtained in exchange for more effort, and in the collective bargaining in exchange for continuity of work, in the political market the resource given in exchange may be called consensus or support. An actor (generally the government) which has goods to give is ready to trade them in exchange for social consensus with an actor who can threaten to withdraw that consensus (or, which is more or less the same, to endanger order) unless he receives the goods he needs. In a situation of pure collective bargaining, industrial action means threat to withdraw continuity of work. The exchange becomes political when the threat is withdrawal of the wider social consensus or social order. The resource in the hand of workers in the case of political exchange is regulated according to completely different criteria from the case of collective bargaining. Market power in the latter case depends on the demand for labour. The value of the consensus resource depends instead on completely different circumstances" (279), and he summarizes that this political "market power is a function of the need for consensus" (280) which bears "no necessary relation to the demand for the product of these workers, and (is) thus external to the market on which collective bargaining takes place" (279).

But this very gap between collective bargaining and political exchange, "the fact that the amount of power which a group may exercise is not a function of the contribution it makes to production .... might be seen as the main cause of destabilisation



in an industrial relations system" (280), and of inflationary pressures in particular. Equilibrium in the political market (based on macroeconomic stability) can be regained by a well-calculated under-exploitation of short-term market power in exchange for some kind of guarantee of future repayment. The power of a union to obtain future benefits in exchange for immediate moderation depends on its capacity for strategy, that is to interpret short-run demands in the light of more long-term interest, and "the state increasingly becomes the main structure in charge of the guarantee of long-term goals ... This makes the state the obvious 'other side' in the bargain through which present restraint is traded for future security" (286).

There is a further mechanism bringing about the same result. Such as exchange on the political market is external to collective bargaining exchanges, so does industrial action generate "secondary effects analogous to the external economies" of market-decisions. The very control of these increasingly frequent and potentially damaging secondary effects of industrial action becomes in itself a main resource of political exchange between private actors like unions, capable of endangering the socio-political order, and the state, held responsible for it. State activities which produce the political market as opportunity structure for political exchanges are related to "systematic interdependences which exist among the units of the economy" (286).



This is not the place to go into the elaborations and subtleties of Pizzorno's model of political exchange, but a few observations should be made immediately. First, disruptive potentials and limits of political exchange are located in the process itself, where the union "power of obtaining future benefits ... becomes power over its own members" (284), but the leeway in interorganizational intermediation is limited by intra-organizational rank and file unrest or the emergence of new representatives and collective identities outside the exchanging actors. Secondly, Pizzorno breaks with the individualistic premises of traditional economic exchange theories, applied to politics (Curry and Wade 1968). Consensus as the resource exchanged politically, for instance, is not aggregated individual support of single citizens expressed by vote, as the "economic theories of democracy", following Schumpeter, would have it. In this model, political consumers buy preferred policies from political entrepreneurs who freely compete on the marketplace of liberal democracy. The consensus exchanged by interest organizations in contrast, is rather a collective support of public policies by compliance to rules or negotiated agreements, a restraint of any collective action capable of damaging economic stability and socio-political order.

Thus Pizzorno, without ever saying so, radicalizes the "Oxford's school" criticism of the "classical" view of collective bargaining of the Webbs as expressed by Allan Flanders (1968). Such as collective bargaining is not just a collective equivalent



of individual exchanges (and for the unions an alternative to mutual insurance and legal enactment, forced upon employers against their will) but a joint regulation of the terms of work, so does political exchange not replace collective bargaining but regulate it. Such as collective bargaining is not just an economic process in which unions act as a labor cartel but a political institution making rules and diplomatic use of organizational power within a power-relationship, so is political exchange not simply an extension of bargaining as a market activity to the state realm; rather, it involves different power resources and different collective actors as well - political exchange, in contrast to collective bargaining, does not require the union as main actor intermediating consensus. And while the political market is constituted by the "political aspects of the labour market" (278), political exchanges cannot be reduced neither to joint regulation or political bargaining on the labor market nor to the pressure group activities to make the state enforcing negotiated rules agreed upon in the collective bargaining process.

Whereas Flanders recognized the political character of a supposedly economic exchange in collective bargaining, which is not just individual exchange for many, Pizzorno not longer looks on the political dimensions of exchanges between private actors but focuses on the very logic of transactions between private organized collectivities and public authorities in the political market, constituted by the latter. Hence, all the basic elements for a genuine social science theory, which does not shrink



political exchange to market behavior of political actors, are at hand: Functional interdependence and mutual interest contingency, corresponding strategic complexity and political indeterminacy of exchange rates as well as the crucial role of time and history of political in contrast to market exchange patterns.

Why then, does one need to elaborate the concept? Are there types of political transactions it does not cover sufficiently or do the same exchanges within different contexts require a different, more general modelling? In order to test the explanatory power of the analytical tool, we will look at a somewhat more complex and that is "real" configuration of political exchange. As Pizzorno claims "that the difference in the extent to which the political market impinges upon the positions of the workers, the unions and the employers, is the main variable in distinguishing among national industrial relations systems" (287), a general theoretical framework should also cover the following constellation (more fully analysed in Wagner 1985)..



### A Simple Transaction -Chain

Think of this union wage strategy as an under-exploitation of short-term market power in exchange for future benefits. Trade unions and employers associations agree, for macroeconomic considerations, to keep collective bargaining and nominal wage increases within the following framework: wage increases are basically uniformous, that is all categories get about the same relative increase of gross income; they are oriented at the real average growth in labor productivity throughout the national economy; and in calculating nominal wage increases, the collective bargaining parties rely on a common forecasting of future inflation rates.

Such a wage policy guarantees a certain synchronisation between gross national product and mass incomes; generally, it sets neither restrictive nor inflationary impulses. But persistent sectoral differentials in productivity increases not only induce constant pressure to innovate and rationalize firms, but also generate some domestic structural inflation, which has to be anticipated at the negotiation table, when interest organizations bargain over nominal wage increases.

In a short-term perspective, expansionary effects of increasing demand for consumer goods are maintained; in a middle-term perspective, entrepreneurs are under effective pressure to



raise productivity; in a long-term view, consensus on income distribution can be kept up: given wage differentials between categories of labor are kept as much as the functional distribution of income between labor and capital. The only redistribution caused by a uniform and productivity oriented wage policy is between company profits in different branches, and that seems acceptable to unions as long as employers associations are capable of disciplining their most profitable member firms or sectoral representatives.

But how is such a simple but strange, highly improbable, implicit and unwritten "social contract", setting the terms of contract for formal collective agreements, possible at all? Why and how do the parties agree on these terms of incomes policy and make their constituencies comply to these agreements? And what have these meta-rules for regulating collective bargaining to do with political exchange , or, more precisely: what kind of political exchange is the negotiated incomes policy sketched above a part of?

Here, the picture gets a bit more complicated. Obviously enough, unions and employers associations must have some sound reason to voluntarily share governmental responsibility for inflation, the control of which in other contexts resorts with the central bank and not with the parties of incomes policy. If we assume that all collective actors involved display a limited, but nevertheless well calculated strategic rationality, what is the



overall game they play which makes such incomes political moves meaningful or feasible at all, what are its rules, and what are the spaces of manoeuvre it leaves for collective bargaining and the opportunity structures for political exchanges proper?

For, in order to produce the collective good of macroeconomic stability by imposing collective discipline on wages and prices, trade unions and employers associations must operate within a larger framework of macroeconomic management and political division of labor. All such efforts would be shallow would not the central bank take responsibility for controlling "imported" inflation through an exchange rate policy neutral to foreign trade, which, on the average, does not affect national price competitiveness on world markets; nor would they be acceptable to labor organizations, would the government not take responsibility for maintaining high levels of employment by filling the deflatory gap between demand and supply through public deficit spending. Though a residual function in the hierarchy of macroeconomic policy tasks and the corresponding time sequence of decisions to be taken,, governmental fiscal "insurance" to compensate ex post in case of losses based on false equilibrium expectations is an integral and indispensable element in stabilizing optimistic entrepreneurial expectations as well as the risky advances of "responsible" unions.

Within this division of political labor in stabilization policy, unions free the central bank from the necessity of



restrictive interventions, which they fear a lot, and thereby they free themselves from this fear: In exchange for internalizing responsibility for domestic inflation control, unions neutralize an otherwise unpredictable and threatening environment. But as this arrangement rests on a concerted exchange rate policy of the central bank, trade unions pay another, more important price in addition to having to oblige their rank and file to wage moderation: In order to secure the possibility of adequate returns in terms of employment guarantees, they have to engage in another series of political exchanges, including government, to compensate for a corresponding loss of monetary steering resources in macroeconomic management.

The importance as well as the political exchange rates of this other transaction-chain result from the technicalities of the logic of a Keynesian strategy. (Unions tend to have a strong preference for Keynesianism, as it is the only economic paradigm and political meta-game which gives them some saying and defines their constituent interests as universal and of macroeconomic relevance, see Lindberg 1983). Within this super-game, the central bank has to accommodate to foreign interest rate developments, once it has chosen to pursue a determinate exchange rate policy. Thus, it cannot counteract an international hausse in interest rates by a policy of "cheap money" if it will not run the risk of massive capital outflow. This dilemma between exchange rate and interest rate oriented monetary policy can be circumvented by segmenting credit markets into an internationally oriented



"financial circulation" and a domestic and productive investment oriented money market; but to establish a protected "production circulation" through a network of subsidized credits for investments and exports, government must support this transaction-chain and actually contribute this crucial link. Without regulating short-term financial capital markets, it has to make for a protected capital market segment for productive investment and to stabilize middle-term and optimistic entrepreneurial expectations. The central bank, in turn, must agree that the amount of "cheap money" circulating is regulated by fiscal policy and that is by public households and not by its own monetary policy.

Let us, at this point, break off the description of the game sketched, without looking into the more complicated economic technicalities. Its economic consequences - such as a de-coupling of feedback mechanisms for price-dynamics, realizing the "classical dichotomy" - as well as its coherence and viability as a macroeconomic program have been analysed more fully elsewhere (Wagner 1985, Marin/Wagner 1985). There is an ongoing debate among economists of how to interpret this most unconventional but successful policy-mix theoretically ( e.g. Tichy 1984, Wagner 1985) or how to identify its success (Scharpf 1981, 1983). Others have looked into the actual fit of empirically identifiable economic policies with the underlying macroeconomic model (Marin, D./Maurer/Wagner 1983). Instead, I would like to point to the



implications of the above sketch for an analysis of political exchange, to be elaborated a bit in the next section.

Quite obviously, what was called a simple transaction-chain can be analysed as a pattern of political exchange as much as the elementary barter prototype of the Italian paradigm. It starts with the very same case of union wage moderation, but allows for some more contextual elements to be taken into consideration: At least for the series of other, related games than the one of which the political exchange of collective bargaining outcome is part of. This leads, as will be seen, to the conception of networks of generalized political exchange and meta(super)games or political-economic regimes. It builds on the significant difference and greater generality of this type of political exchange than the one originally introduced by Pizzorno and other Italian scholars, following his conceptualization.

#### From Barter to Exchange-Networks

What are the differences between the two cases of political exchange presented above and what is the significance of these differences in terms of a general theoretical framework to interpret such precarious transaction patterns?

In order to clarify the divergent exchange perspectives underlying the different examples chosen to analyse, we will look at a series of most simple and obvious questions to which any



conceptualization will have to come up with answers, and actually does: What is the terrain or field of political exchange? Who are the collective actors participating in the transaction? What is the relationship between them? What resources do they trade? How do they do it? Why do they do it the way they do it and not otherwise? What for do they exchange at all? What is at stake in the transaction? How long will they go on playing the game? When do what kind of political exchange pattern arise at all?

#### W h e r e ?

A first, and most obvious difference concerns where the political exchange actually takes place. Pizzorno (and virtually all followers in the Italian debate) concentrate on the labor market and its political aspects, not "stemming directly from the relationship between employers and employees ... at work" (277), but from governmental interventions, public policies, legal frameworks or long-term union strategies within the political system. The field they focus on, thus, is the political implications of collective bargaining or of extra-institutional action: The domain of the political market created by government through its very dealings with the parties of the labor market - as far as labor organizations in particular are able and willing to control and trade the political externalities of labor market exchanges in exchange with state agencies.



Against that, in the simple transaction-chain example, the terrain of political exchange comprises a multitude of other markets, and occasionally even the political arena of political parties and parliament proper. While collective wage agreements are to be found in the labor market, corresponding price controls (whatever the mechanism chosen from outright state control to autonomous voluntary self-regulation by the social parties or the industries themselves) affect operation in product markets. The incomes policy resulting from exercising collective discipline on wage developments in labor markets and pricing in product markets, again, has to be mediated to collective action on domestic money and credit markets as well as on international financial markets.

These markets, constituting an economic arena for political exchanges, are not only many, but also interdependent; and they are not only interdependent, but also hierarchically ordered. The ordering itself is induced politically, through exchange processes, and the resulting market hierarchies define the respective fields and games of political exchange and their boundaries. Whether fully intended, recognized and accepted or not, some kind of market hierarchy always exists and determines a corresponding set of political games. Any kind of labor market transaction and related political exchange, therefore, is inevitably part of a much larger terrain of a politically structured interdependence of markets and simply cannot be understood adequately when looked upon in isolation.



W h o ?

This leads immediately to a second, important difference of the two cases in point: Who are the collective actors participating in political exchange? In what might be called 'The Italian Model' the main protagonists are two, sometimes three: Trade unions and the federal government or the central state, with occasional taking into account of (organized) capital as the respective counterpart in labor markets. As the model strongly centers on labor organizations, workers sometimes come in to play their role as a demanding constituency, the representation and governance of which remains a permanently precarious task for organized labor leadership. In terms of numbers, the 'political market' is just the opposite of a heavily populated economic market and resembles much more how textbook economics exemplifies exchange processes: with Robinson Crusoe and Friday.

Transaction-chains, at the contrary, are composed of a few, that is neither just two nor too many actors. In cases like the one sketched, there is a series of additional collective actors participating in political exchanges: Organized labor, for instance, is not only represented by (a unitary or several competing) trade unions (sometimes helped by labor parties), but also by shop floor or company representatives (shop stewards, Betriebsräte, works councillors, comités d'entreprise or délégués de personnel, consigli di fabbrica, etc.), chambers of labor,



etc.; with the degree of integration between central confederations and affiliated unions or between peak associations and other working class representatives as a crucial variable.

Correspondingly, organized capital cannot be thought of as a unitary, coherent collective actor, which is far from true even at the level of employers associations. In some fields, other inter-organizational clusters such as trade associations, cartels, dominant firm conglomerates in strategically important sectors, often leading public enterprises or banks controlling industrial capital or public debtors play a decisive role in some political games. Similarly, "the state" is not simply central government, but regional or local governments (and their coordinated, inter-governmental exchange-relations) might be even more important for a counter-cyclical budget policy within a federal structure, as much as this holds for various "parafisci" like social security or pension funds.

This reminds of two more crucial actors in any macropolitical-economic exchange-network, ignored in the 'Italian model'. Autonomous cooperative bodies composed of representatives both of organized labor and organized capital do, in many countries, play an independent and important if not guiding role in the formation of political exchanges underlying macroeconomic decisions. Here, the Social-Economische Raad (Estor 1965) in the Netherlands, the Swedish Harpsund-Conferences and the succeeding Planraad (Elvander 1972), the Norwegian Oekonomiske



Samordningsraad and later the Kontaktutvalget (Rokkan 1966, Olsen 1983) or the Austrian Paritaetische Kommission (Marin 1982) are just the most prominent cases in point of these cooperative, joint decision-making bodies, participating in and often substantially shaping the transaction-chains.

Even more so does the central bank in any one country. Whereas the significance of cooperative collective actors varies a lot between different national contexts (in some countries they simply do not exist), the federal reserve bank is always crucial in ordering the market hierarchy which then serves as an opportunity structure for ongoing political transactions. In the model outlined above, for instance, it is the one most central actor to keep the overall system in balance and other collectivities including central government have to flexibly adapt their strategies to the parameters set first by the monetary authorities. Thinking of empirical cases leads to the same conclusion as the model: The Deutsche Bundesbank counteracting an at least moderately expansionary fiscal policy of the West German government in the late 1970s by a most restrictive monetary policy; after 1979, the Bank of England tightly controlling money supply or the American Federal Reserve under Paul Volcker keeping up real interest rates at levels which also affected the terms of political trade between capital and labor in all European economies, all these examples confirm the absolutely crucial role of central banks in any one economic policy community. The Italian model, not taking into account the systemic impact of this most



powerful actor on the overall political economy, cannot provide an adequate assessment of specific exchanges even within the terrain of labor markets and their relationship to the state only: How could the unions be expected to forego immediate opportunities for gains if even the most labor-friendly government is not able to guarantee that its commitments to future repayments will not be upset by a counteracting strategy of the central bank?

### H o w ?

In what sense, more systematically, does the exchange-relationship differ in the two cases presented above? The 'Italian model' clearly implies a dyadic or bilateral relation, occasionally extended to a tri-partite constellation, which very often reduces to a two-step-bilateralism: Unions offer controlling their very behavior with the counter-party on the labor market in an anticipatory manner or ex post in exchange with government. The collective actors involved in the transactions are in a structurally asymmetric relationship with regard to the nature as well as to the power of the power resources exchanged: While private interest organizations may have resources at their disposal which are potentially obstructive enough to force public authorities to enter in an exchange relationship at all, the state is always held to be in command of more powerful resources due to the legitimate use of coercion, force and legislation. Furthermore,



imbalance in the exchange-relation between the state and private interest organizations is seen in the central structural position of the former: It is the state which constitutes the political market and which, therefore, is essential and dominant in any exchange transaction.

Political exchanges are fundamentally different structured in a more extended economic policy community. First of all, economic policy communities are not constituted by the state or other legitimate public authorities, but by the contingency of historical processes making some collective actors more and others less powerful and indispensable in governing the economy; as well as by the very same market hierarchies which themselves are brought about by the very same historical actors latter on constrained by them. Contrary to the 'Italian model', neither trade unions nor the state are necessarily part of every or even any exchange-network: In countries such as the United States, Japan, France or Switzerland, unions are at best a most marginal element of the economic policy community; and in many more countries we find economic policy games played which are neither imposed by governments nor do they leave any place for even the most powerful labor organizations.

If any ordering of collective actors - that is their respective political "weight" as well as their exchange-linkages with other collective actors further "up" or "down" the transaction-chain - is neither an ahistorical invariant, nor just



a historical given but actually created by a specific market hierarchy, then exchange-relations and power structures are not fixed once for ever, but changing with the political games and meta-games played. Unions and the state are of widely varying importance, and in some games they do not play a role whatsoever; and the state, if present, is not always stronger than other, private collective actors.

Additionally, exchange-relations in an extended field are of a fundamentally different nature than the ones analysed in the 'Italian model'. In the dyadic structure (which is not only typical for the "political exchange" literature but implicit also in the conceptual tools developed in most of the "social exchange" models of the Homans 1961 or Blau 1964 type), transactions are necessarily mutually contingent: tit is given for tit and sometimes tit for tat. But while the repayment is not always possible hic et nunc, it is expected to come from the other party and from that party only, within a controllable and agreed upon time span. Any continuation of political exchange, thus, is contingent upon sufficient returns from the one chosen (private) or fixed (state) other side - and that is highly precarious.

Patterned linkages within a broader economic policy community, at the contrary, are not only multi-lateral, but also no simple extension of bilateral transactions. Continued exchange is not contingent upon a specific quid pro quo by a specific party, but upon valued returns from out of the network or the



network altogether. Exchange within complex configurations - whether they have the form of long cycles, rings, chains or extended trees - is not just a linked aggregation of two party/two way political barter. Bilateral barter might actually be excluded if expected to be at the expense of (all the) other actors in the network or incompatible with the exchange system itself, which directs the flow of certain valued resources in one direction only.

This distinction is strictly analogous to what Lévi-Strauss (1947/1973), in the completely different context of matrilineal cross-cousin marriage, analysed as restricted and generalized exchange. In generalized exchange, a lineage cannot receive women from a lineage it gives women to (the opposite would be the simple rule of restricted exchange, analogous to political barter), except it first fulfills its primary obligation to give its own women to another lineage than the one it married women from. Benefits from one party must be returned to a third party, which makes for reciprocity between a great number of partners. Through a complicated set of rules, exchange-relations are organized in a specific, irreversible direction.

Similarly, political exchange networks form cycles where certain valuables will flow in one direction only. Governments cannot be subsidized and they cannot be given tax exemptions (though they can be granted more or less favorable credit conditions in case of public debts); central banks do not need



organizational securities for membership recruitment or rank and file mobilization; employers or trade associations will not be offered legislative powers; and trade unions might not be easily threatened by announcements to regulate capital flows - while each of these resources exchanged is highly valued a return by other actors in the transaction-chain.

Furthermore, most collective actors are not reciprocated primarily by those parties they offer concession or support to, but by strategically placed third parties. If unions hold back on wages, to take a much preferred Italian example, it is their counterpart on the collective bargaining table and even more specific firms which profit from it by higher profitability, without being able to repay directly or even adequately. Governments might be supported if committed to an incomes policy, but with respect to other games - not to speak of electoral popularity - wage restraint might turn out to be a danaer's gift, undermining popular consensus and cabinet support.

This even more so to the extent that system payoffs, providing valued returns for the risky advances offered by organized labor, are outside the domain of effective government control: Employment levels depend mainly on private capital investment decisions; and inflation rates (in our second case) are, above all, to be controlled by the central banks exchange rate (neutral or "hard currency") policy. In other meta-games or regimes, the central bank, through its monetary policy, strongly



influences labor market developments, which are of central concern to working class union members asked for wage moderation, eventually by a government which itself has no power to guarantee future repayments in terms of new jobs to be created.

But as far as central government cannot guarantee future security in exchange for short-term restraint, it ceases to be the focal and essential 'other side' in the transaction, as the 'Italian model' would have it. No single actor in an extended network of generalized political exchange has an effective monopoly of coercive resources and is dominant in all games played - or could, for instance, anyone imagine a democratic government in a capitalist market society effectively controlling capital flows in and out the country?

W h a t ?

But what do the collective actors actually exchange in terms of resources, if transactions are not simply mutually contingent, rewarding returns to each other? What flows through the networks constituted by specific market hierarchies, if the overall structure cannot be conceived of as composed of a series of dyadic barter arrangements where diffuse consensus or support organized by private interest associations is traded for specific state "goodies"?



While within the 'Italian model' there is a variety of conceptualizations to understand the support mobilized by private actors, it ultimately always boils down to an exchange of (social, political) power resources between private organizations and public authorities. In contrast to this one-dimensional exchange of power resources (of different nature and origin), transactions within comprehensive fields are multi-dimensional: They also comprise the simple passing on of technical information in collaborative efforts as well as the transfer of services or the communication of normative expectations, with varying degrees of power implications. When it comes to power, it is less the resources at the disposal of the collective actors or the capacity to use them, which is traded, but the actual exercise of these "possibilities for action" (Crozier/Friedberg 1979) - which includes, of course, threats as the formulation of these possibilities, withdrawal of action, non-decisions, suspense of exchange, blocking of the possibilities for action, self-binding commitments not to exercise them etc.

If these variety of valuables exchanged - consensus, support, concessions, guarantees, mutual respect of political status rights and duties, symbolic attributions of responsibilities, access to authoritative decision-making, effective membership control, commitment to compromised rules, renouncing of strategic exit and voice-options, power and withholding of power - has to be reduced to one underlying dimension, the common minimal denominator is compliance with specific rules. It is this generalized compliance



with quite specific and highly differential rules of the games and regimes (meta-games) of any one participating actor which constitutes the valued return on which all the other actors' compliance is contingent upon. This reciprocally contingent flow of compliance with a system of rules asking different actors for rather different obligations - and not a linking of mutually rewarding two party/two way transactions - holds political exchanges together: No direct repayments might be more "reinforcing" a return than immediate returns, considered to be side payments threatening to blow up the whole transaction-chain.

H o w   c o m e   ?

In order to control these political rents generated by unregulated barter, which is the core transaction of the 'Italian model', generalized exchange networks rest on a hierarchically ordered set of rules of game and meta-games, inducing "calculated rigidities" of collective action: Not every power resource can be traded any longer in the political market. But in order to represent acceptable constraints on possible courses of collective action, political exchange rules must fulfill at least the following, interdependent requirements: They must a) actually allow for a control of opportunistic behavior, b) generate sufficient procedural benefits to compensate for foregoing



strategic opportunities and c) produce a cooperative surplus to be shared among the participants in the game.

Minimizing opportunistic behavior and controlling compliance to exchange rules is of crucial importance, as the opportunities for opportunism are quite unequally distributed within the market hierarchy constituting a network. Decision-makers in markets down the chain do have to accept interventions in markets up the chain as given data; in turn, actors deciding first (and up the chain) have to intervene in trust to corresponding behavior of collectivities coming later, down the chain. Wagner (1985) illustrates the problem with regard to a synchronisation of exchange rate and wage policy, giving a double strategic advantage to the central bank over collective bargaining parties through control of time parameters.

Within the meta-game constituted by a certain market hierarchy, the determination of effective exchange rates precedes the negotiation of nominal wage levels and collective bargaining parties have to flexibly adapt to the space of manoeuvre set by currency policy. Moreover, the central bank can continually adjust post festum through daily interventions in foreign exchange markets, whereas employers, employers associations and trade unions are bound in their reactions to the (yearly) rhythm of wage negotiations. Only a complicated network of mutually stabilizing and trust generating expectations that each collective actor acts according to rules agreed upon without using opportunities for



opportunism allows for ongoing, undisruptive transactions. But the emergence of trust and effective mutual control is only probable if the participating actors are few enough while their exchanges are frequent and interdependent enough as to - through the very comprehensiveness of the network and the inter-connectedness of all exchanges taking place within it - make cheating simply too costly.

But inflicting costs upon oneself by inflicting it unto the others within the network might, in itself, not be sufficient enough a motivation to forego immediate gains through either circumventing established rules or little barter deals aside. Similarly, the rather vague expectation of overall system payoffs due to collective discipline and cooperation in an undetermined future might, in itself, be too weak an incentive to abstain from exploiting opportunities for tangential benefits to grab. Instead, the promise of a cooperative surplus to be shared later on must be made plausible daily, so to speak, in the very process of producing these systemic gains by immediate process benefits along the way.

Systemic outcomes, in fact, become less precarious an achievement to the extent that they can be perceived in terms of continual and uncontestable process payoffs and not just as one, final rewarding result; to the extent that easing transactions becomes in itself a valuable to be exchanged; to the extent that the way and how to get along it becomes part of the goals, and the



means and modes of exchange become part of its ends. With regard to political exchange within an extended economic policy community, the inducement of "calculated rigidities" by imposing certain rules of the game and by controlling the compliance to them produces one overall permanent advantage for all participants, making up for losing opportunities of strategic interaction - the creation of "concerted", highly predictable environments and of stabilized expectations in an otherwise most turbulent political and economic world.

As the main and most threatening uncertainties in the political-economic arena stem from the complexities of mutually contingent, strategic interaction, "concerted" environments for any one actor require political exchanges with other organizations in the field; but these exchanges must themselves be regulated by rules in order to reduce and not to further increase strategic interactional complexities. Absorption of uncertainty gives power, and to the extent uncertainty can be reduced through coordinated and coordinating behavior only, the very process of regulated exchange assumes a power-generating capacity. While powers of participating actors in the economic policy community vis-à-vis each other are constrained by exchange rules, power potentials available within the chain through cooperative strategies as well as the power of the overall network increase tremendously. Generalized political exchange is an inherently power-generating, value-adding and mutually insuring process.



W h a t   f o r   ?

This leads to another, most significant difference between elementary, restricted barter and generalized political exchange, their enjeux, what is at stakes in the transaction and what it is done for. In the 'Italian model', exchange is carried out in order to optimize the return in terms of one's own power resources or governing capacities. Even if "enlightened" by long-term calculation, single organizational self-interest remains the exclusive focus at concern. Reference to other collective actors in the field or to the exchange partner reduces to increase the own strategic rationality. Both sides seek to maximize their total payoff, at the other's expense as far as power relations and corresponding terms of political trade allow. They will meet for exchange where the respective balance of forces - and the strategic capacities to skillfully use power resources at disposal - will lead them to exchange. Consequently, transactions at a point which would maximize overall systemic gains, but at the expense of the stronger party only, are inconceivable. Political barter has the limited purpose of bargaining over the distribution and redistribution of public "goodies" (sometimes as with "social peace" under control of private organizations); it deals with deals of appropriation of categoric goods only.

Generalized exchange, in contrast, does not confine itself to the (re)distribution and consumption of public goods by direct transfer of valued items. Rather, it involves an additional



production of surplus value through the very regulation of the transaction process as well as a provision of mutual insurance against the inevitable risks and systemic instabilities of complex exchange networks. While organizational self-interest remains the driving force and the core focus of consideration, it has always to be matched with the systemic imperatives as embodied in the rules of the games and super-games. Thus, optimizing organizational returns is mediated by investments into overall systems productivity and mutual consideration of elementary, "vital" interests of self-reproduction of other, opposing, but interdependent actors. All participants seek (or are made to effectively take into account) above all overall systemic output, as individual organizational payoffs are seen as depending primarily on total surplus value to be appropriated in the long run, and on the stability of exchange processes in short term. Exchange rules codify this primacy of collective systemic over particularistic interest pursuit. Actual exchange rates, therefore are no simple reflection of existing power dependence-relations, or only inasfar as they are compatible with the rules of the game. Time and again this implies rebalancing of given power differentials, for instance by strengthening the weaker parties down the transaction-chain, in order to keep a precarious network equilibrium of the extended economic policy community. Generalized political exchange is a comprehensive set of games to regulate the appropriation and the production/supply of public goods; accordingly, it always refers to nothing less but societal reproduction and development and that is governance of the system,



the collective actors exchanging resources are constituent parts of - as well as constituted and functionalized components.

### H o w   l o n g   ?

Bilateral political barter of the Italian type, while obviously moving exchanges beyond a spot base, remains fundamentally restricted not only in scope but also in time. Though it stresses linkages between short-term demands and long-term interests through strategic capacities, these calculations themselves remain singular or sporadically recurrent events and no stable, long-term, institutionalized orientations. The Italian model, quite rightly, conceptualizes political exchanges not as contract-like, discrete single transactions but as relations with future and in order to control future while at the same time reducing the exchange-relation over time to a temporary, transitory phenomenon.

The occasional or time-limited character of elementary political exchanges is all too understandable, as continuation is seen dependent not only on specifically advantageous cost/benefit-calculations for any single or series of transactions (Regini 1983, 362), and that is contingent upon preceding exchanges, but also on highly precarious, "permanently temporary" resources such as market power or militancy - or governments/cabinet stability on



the other side. How could political exchange ever go on if unions (in recessions) have no market power of organized labor force to under-exploit, no rank and file to mobilize in industrial or extra-institutional collective action (as people might, temporarily, be tired or scared), or another government to confront than the one committed to fair returns?

Whereas, at this point, a dyadic, restricted type of political barter will actually come to an end, political transactions in the overall network of an extended economic policy community will, of course, continue - and go on "open-end". Generalized political exchange can be of widely varying degrees of network-interconnectedness or interrelational density and also allows for dis-connectedness or breakdown of even central linkages such as collective bargaining or arbitration. But some overall pattern is conceptualized as an enduring, quasi permanent structure, of enduring or permanently changing shape. Specific structural configurations can change or dissolve, yet some exchange-relations and games do always go on. This is a less trivial point as it seems to be at first sight, as it shifts time horizons and sharpens the criteria for identifying games: It is not exchange in general which breaks down from time to time but a specific structural constellation, a specific game or meta-game.

Still, the time horizon for any such game or meta-game varies itself with the nature of the political exchange. Whereas all political exchange implies recurrent transaction and that is a



longitudinal character of the emerging relation, it is fundamentally finite in political barter while envisaged in principle infinite in extended networks. This open-time has to do with the relative social closure of exchange-networks: A small, but relatively fixed number of participants, with structural and that is "endless" interest interdependence, with multiplex and varying, but basically non-interchangeable valuables to offer to each other and therefore capable of developing an infinite time horizon as the most important of all self-generated sources of reproduction.

Whether networks of generalized political exchange actually persist longer over time than elementary barter relations is a matter of empirical investigation only and cannot be decided a priori. What counts, however, is the general expectation - of constituent collective actors, not of outside scientific observers only - that they do; and that if not, a specific game finished will be followed by another exchange-relationship of at least some continuity with the preceding one terminated. What makes the difference, thus, is not so much differential objective duration of different forms of political exchange but a generalized, even counterfactual expectation of this sort; not real time, but collective time horizons and the capacity to extend them in a way as to project a determinate exchange-network into an indeterminate future.



W h a t   k i n d   w h e n   ?

The two types of political exchange outlined so far do not only imply different temporal frames of reference (time horizons, operating time structures etc.); they do also need different durations to develop, they appear at different points of historical time and they display a specific evolutionary time order, yet not irreversible. While the time-theoretical aspects are more fully elaborated in a related paper (Marin 1985a), I will point to just one implication of the time dimension for the different scope of the models building on the cases presented.

For in both cases, the conceptual framework derived could be argued as being an inductive generalization (and even overgeneralization) of quite particular historical circumstances. Pizzorno and his followers in the Italian debate had a specific Latin-European problem constellation of industrial labor relations in mind - Italy in the period of the latent compromesso storico and at the height of union power, in the transitional phase from pluralist or pre-corporatist to a neo-corporatist stage, which actually never came about. Generalized political exchange, on the other hand could be seen as a theoretical generalization of a Middle-European-Scandinavian, more corporatist mode of interest intermediation. Consequently, both conceptualizations would address different realities and would be appropriate for distinct, but



delineate and strictly restricted areas of application - depending on the historical place and time of the exchange pattern analysed.

Correspondingly, two distinct forms of political exchange, irreducible to each other, would have to be explained within different conceptual frameworks. The 'Italian model' would make sense of transactions within the more fragmented, "pluralist" systems of interest politics (such as in Italy, France, Great Britain, United States, Canada, Australia, etc.), whereas more "corporatist" arrangements of interest intermediation (such as in Norway, Sweden, Finnland, Denmark, Netherlands, Austria, Switzerland, evv. West Germany, Israel and Japan) could be understood in terms of generalized political exchange. Whenever an institutional system changed, another concept of political exchange would have to be used. Yet such area- and time-specific conceptualizations, I argue, are not only all too modest, but actually misleading, as they suppose as mutually exclusive, domain-specific generalizations what in fact are concepts of different degrees of abstraction, generalization and explanatory power.

Elementary, restricted barter and generalized political exchange are not so much different real phenomena as they are different perspectives to analyse a whole range of political transactions. These transactions can be thought of as a continuum of political exchanges, ordered by their degree of ordered complexity. But the corresponding analytical tools are of



assymetric fit, not interchangeable: Whereas the pole of simple political barter can be understood as a limiting case of a fragmented network, with disconnected, encapsulated single dyadic parts (as rare as it is), an extended exchange-network can never be understood as composed of such elementary transaction units ("the whole is more than the sum of its parts"). The simple end of the specter is comprehensible from the complex one, but not vice versa.

But as the 'Italian model', I hold, has not gone far enough in modelling political exchange as to cover more complex (and interesting) cases also, it cannot even fully grasp the logic of its own, preferred cases in point. For, the actual exchanges in the real caso Italiano are extremely more complex than the 'Italian model' allows us to think. Though there is clearly no overarching super-game to which collective actors cling to, their exchanges simply cannot be understood as dyadic transactions, calculated independently and ungoverned by respective rules of the game - however disconnected or even counteracting the different games played are. Political barter is not just barter, but a symptom of a failed transaction-chain, a decaying or impossible or simply loose network or of something else beyond itself to be looked for ("a part is not simply a part, understandable outside the whole it is part of").

Generalized political exchange, thus, because of its greater conceptual generality, fits best for the analysis of all sorts of



certain political transactions, wherever they rank on the scale of order and complexity. But in order to order the complexity of this analytical tools, a series of rather simple key notions and basic assumptions have still to be introduced.

#### FIRST ELEMENTS OF A THEORETICAL FRAMEWORK: SOME KEY NOTIONS AND BASIC ASSUMPTIONS

##### Ordering Complexity and All-Out Interdependence

The overwhelming "complexity of the world" - starting point of some theories - might in fact be too simple a formula to actually come to terms with it. This complexity is often interpreted as all-out interdependence: "Everything has to do with everything else". This, of course, is beyond the possibility of adequate comprehension, and understanding seems possible only at the price of heroic simplifications - the economic model of perfect market competition being the most prominent case in point of such modelling of all-out interdependence.

Yet, structures reducing mind-blowing complexities are often not just nothing but insufficient mental constructs, but (more or less ingenious) inventions materialized in (interorganizational) interactions - to be reconstructed by theory. Following Simon (1962) and von Hayek (1972), I assume that complexity is always structured/ordered, but to reconstruct its specific simplifying



architecture is not a simple, but a complex theoretical task. The concept of hierarchy is a key notion in ordering this complexity.

### Hierarchies

Hierarchy, as used in this paper, is not a structure of bureaucratic command and subordination, "the visible hand" of state administration or of managerial control over the modern capitalist, industrial corporation. As such, it would be there or not; and wherever it existed, it were a clear-cut alternative to decentralized markets. Hierarchy in the sense of Simon, in contrast, is an asymmetric interdependence or power-relationship between system elements and, consequently, a matter of degree: Systemic relations are more or less hierarchically organized, and so are markets.

Perfectly competitive markets would be the limiting case of minimal hierarchy: No collective actor had the power to affect the overall market system and none had any authoritative control over other, competing organizations - participants had "no weight". In the world of really existing capitalism, however, oligopolistic coalitions, cartels, trusts, mergers, interlocking directorates etc., that is horizontally or vertically integrated power clusters make for powerful hierarchies within "imperfect markets"; and for a large repertoire of practices from discriminatory pricing to exclusive-dealing arrangements to ensure dominant positions in any such hierarchy.



Hierarchies (in markets or other exchange systems) form constraining structures or strategic rigidities, to which other system elements have to adjust flexibly. Contrary to conventional wisdom, these strategic rigidities can increase the overall systems capacity of flexible adaption to turbulent environments: It all depends on the specific mix of structural rigidities and complementary looseness.

All-out interdependent (Simon's "richly joined") systems, on the contrary, might paralyse their overall adaptive capacities for indiscriminate adjustments: Due to an effective, rapid, and multiplying information-flow through many channels, disruptive environmental influences can produce potential chocks for the entire system instead for the single element directly affected only. All-out interdependent systems, therefore are prone to strong fluctuations and instabilities, with highly precarious states of temporary equilibria at any given point in time.

What Simon calls "hierarchical, loosely joined systems" are more stable and adaptive at the level of the overall configuration. Adaptation is thought as taking place at the lowest level required for effective operation, through specialized subsystems into which the complex whole is functionally differentiated. Density or looseness of connections between subsystems is seen as a function of systems reproduction, and direct linkages as correspondingly selective and restricted. The system changes at differential speeds, more rapidly at subsystem



level. Highly structured interchanges between subsystems make each of them "relatively autonomous" and not easily to be penetrated by other specialized parts. The overall structure moves less rapidly and sensitively than all-out interdependent systems, but it is also less probable to collapse out of misadaptation.

### Market Hierarchies

The concept of market hierarchies derives from transferring the idea of hierarchical structure within single markets to the relationship between markets. Little is to be said about it here, as it is elaborated in a related paper (Marin/Wagner 1985). There, it is defined as a politically induced ordering of interdependent markets, which simultaneously structures the sequences of decision-making in macroeconomic policies and attributes differential power to the collective actors joining the meta(super)game or political-economic order/regime. While meta-games are themselves constituted by political exchange, they do also determine the rules for possible exchanges, moves, political strategies and interactions of organized interests participating in a series of political games possible within the regime. Generalized political exchange allows to analyse this paradoxically ordered complexity, if related to two other conceptualizations of hierarchy: The notion of cybernetic control and the concept of strange loops or tangled hierarchies.



### Cybernetic Control Hierarchies

Generalized political exchange, I claim, enables us to link otherwise unrelated analytical levels of abstraction. It makes the very linkage between socio-economic structures, political institutions and economic programs (public policies or games within regimes) and their dynamic interplay the focus of attention.

Their interrelationship is thought of a kind of cybernetic control hierarchy. Industrial, class and power structures as energizing and conditioning, but politically underdetermined factors; political games or economic policies within regimes as information steering/programming/controlling elements, but programs constrained by socio-economic structures and institutions; and political institutions intermediating the determining forces from "above" and "below" through selection and transformation, as closest interpenetrations are found between adjacent system levels.

This simple cybernetic or hierarchy model of intersystem linkages, though its logic is borrowed from Parsons (1961, 37 -44, 1968, 136-152), does neither accept assumptions about a two-way causality, nor general assertions about control priorities from the top down (Parsons) or conditioning determination from the

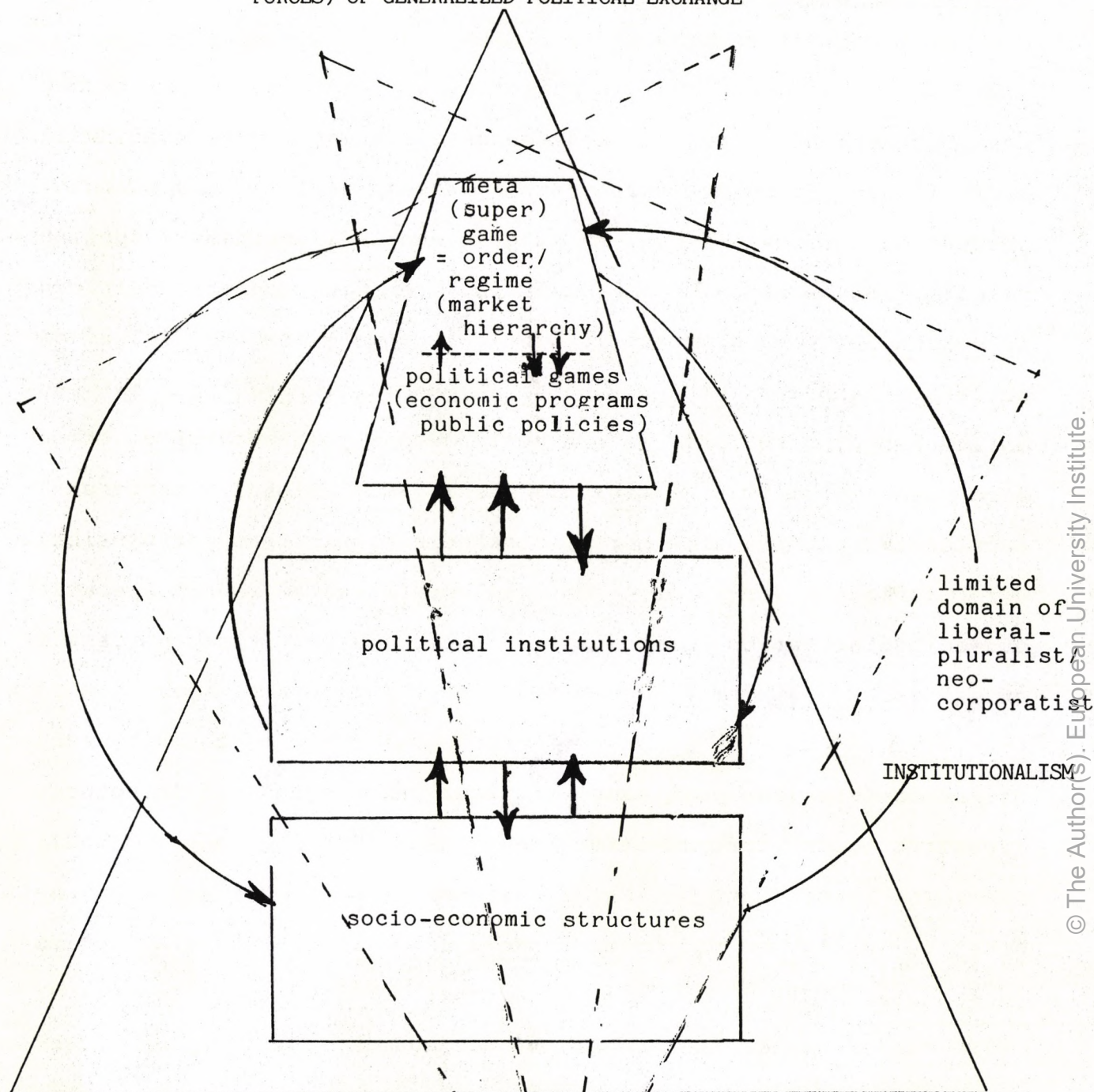


bottom up (ecological schemes, Marxism) - their relative determining power being a matter of empirical investigation only.

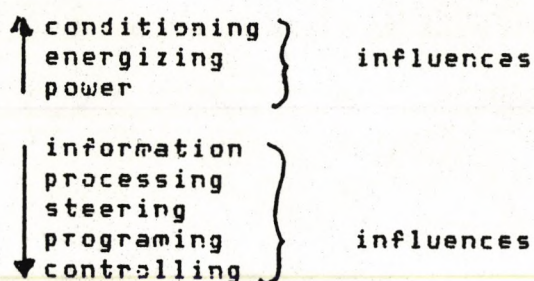
Furthermore, the simple cybernetic control model might well reduce, but does not fully grasp the complexity of any specific process of interchange between interpenetrated system levels. Take managing an economy as a crucial case in point. Here, governance is aimed at by a specific mix of public policies, to induce preferred behavior. Any single of these macroeconomic policies (as an exchange rate policy) can be seen as a political game. These games take place within a given set of institutional arrangements and socio-economic structures, constraining the space of possible action, manoeuvre, strategy and political exchange between participants. But the games take also place within the constraints of a market hierarchy seen as a meta(super)game, whereby this order/regime itself is induced or constituted by the very same actors constrained by games and meta-games - and simultaneously redefines socio-economic structures.



FIG. 1: A TANGLED, CYBERNETIC CONTROL HIERARCHY (DETERMINING FORCES) OF GENERALIZED POLITICAL EXCHANGE



Legend: Directive flows of intrasystem influences





### Tangled Hierarchies of Games

The transaction-chain implied by a certain market hierarchy must at the same time be seen as a structure/system of rules determining possible actions/strategies as well as an outcome of strategic choices of interacting organized interests imposing certain rules of a super-game in order to regulate their own interactions/exchanges. It is difficult to see how the dialectics between action and systems aspects of ongoing interactions between collective (political) actors could be analysed without a notion such as generalized political exchange - avoiding structural (ecological, Marxist) or institutionalist (neo-corporatist) determinism as much as a more voluntaristic action-perspective often going with notions of simple, barter type political exchange.

Conceiving generalized political exchange as a structured circular flow of determining influences between mutually interpenetrated, but relatively autonomous systems levels, can be done by using the notion of strange loops or tangled hierarchies (Hofstadter 1979). Collective actors are creators as well as creatures of market hierarchies of meta-games; political exchanges are constituted by certain games while constituting other games called meta-games, in order to disentangle the seeming paradox of a strange loop. Meta-games comprise rules determining what games can be played at all and how the rules of these games can be changed by the actors - the problem being that the very same



collective actors play several games, meta-games etc. at the same time, modifying the rules while playing the games. But even this power struggle over the rules of the games, meta-games etc. follows, at any given point in time, a set of at least implicit conventions of how to go about the struggle - that is the self-modification of rules through self-modifying rules etc.

What research on self-modifying games of generalized political exchange can do in order to disentangle these tangled hierarchies is to reconstruct what the participants themselves do in order to come to terms with it: To sort out rigidities and flexibilities, hardware and software rules, givens and disposables, and that is the implicit hierarchy of rules and games at a given time. We might expect that the length of the time period holding constant a certain hierarchy varies itself systematically, and more complex forms of generalized political exchange require and enable more extended time horizons and stability of complex rule systems than the rules governing a singular barter deal or recurrent political transactions between two actors only.

The tangled hierarchies of generalized political exchange are not only more complex, productive and stable, wherever maintained; their maintenance, on the other hand, is highly improbable, more risky and precarious and more costly in terms of transaction-specific investments - to keep an extended exchange-network in balance is itself a most fastidious and delicate task. A main



reason for entropic tendencies in generalized exchange systems is the underlying structural divergence/ antagonism of high-powered interests participating in the political transactions and their ongoing power struggle within and through the network. But why, then, interpret transactions as exchange and not just in terms of struggle, domination, subordination etc.?

### Antagonistic Cooperation as Political Exchange

Governance of market hierarchies requires interaction of functionally interdependent, often mutually contingent, but competing or even antagonistic interests; it implies conflict and cooperation. Without interest opposition, cooperation would not be necessary and without interest interdependence, it would not be possible. These mixed games will be called antagonistic cooperation, and their very basic structure makes for exchange between opponents, however unequal or unbalanced.

Exchange through antagonistic cooperation cannot be explained by institutional factors alone, as traditional (liberal pluralist as well as neo-corporatist) theories do. They locate antagonisms and cleavages within structures and policies, while attributing the regulation of conflicts to institutions. Certain (collective bargaining, corporatist etc.) arrangements are expected to lead, quasi automatically, to cooperative modes of conflict resolution



and interest intermediation - whilst they actually very often do not.

Instead, I hold, ongoing exchange and that is cooperation between competitors and antagonists has to be accounted for by economic policies and regimes as well, and their interdependence with institutions. Games make for a specific "concertation" of adversarial interests, and the very constitution of super-games will be brought about by dominant social coalitions of rival interests only. Thus, both pre- and extra-institutional forces come into play when transforming all-out struggle into opportunity-structures for political exchange.

Even institutionalized antagonistic cooperation, to be sure, does never end the continual struggle over the terms of exchange, the rules of the games and meta-games. Cooperation and exchange is structurally limited in capitalist societies: Although the rules of the games and meta-games of antagonistic cooperation have to be agreed upon, they cannot be established and developed by cooperation alone. Exchange-regulating devices can channel and transform, but never remove or permanently freeze the class conflicts and other antagonisms underlying institutions and games.

Political exchange, therefore, is no counter-concept to exploitation or domination, but it indicates the transformation of class struggle into a permanent war of position between collective actors with mutually contingent interests - e.g. between interest



associations seeking to gain organizational advantages over adversaries within the institutional system in highly "organized" societies. All rules of games and super-games and their very scope of application are subject to persistent conflict - and compromise.

Political exchange, thus, does not imply that class struggle is simply "institutionalized", but that class conflicts and other modes of power struggle are always also conflicts over the rules of a multiplicity of simultaneous political games, meta-games and institutional practices, requiring antagonistic cooperation.

At this point, I will shortly summarize what is specific about political exchange and generalized political exchange.

#### What Makes Political Exchange Political?

In political exchange, it is the rules of the game which determine possible strategies, and not the strategies which determine the game. Political games, unlike market exchange, cannot be conceived as emergent regularities only: They are not just an unintended outcome of purposeful action (Crozier/Friedberg 1977), but meaningful, collectively wanted regulating structures of politics, on the level of policies (games) and politics (meta-games).



Thus, exchange rules define the opportunity structures for political transactions and constraints for possible strategies. Political exchange takes place within these constraints imposed by the rules of the game, but it is also the power struggle over the rules themselves, their scope of validity as well as over what game to play at all - with power differentials between actors differing with the level of power struggle.

Exchanges are political not only if they involve trading the power resources held by the state in exchange for consensus or support of public policies by private interest organizations, in order not to endanger or damage the socio-political order. Moreover, I consider exchanges political whenever they either require or cause collective action (instead of single organizational or market strategies) of collective actors; or if, through their being part of larger, more comprehensive networks of generalized exchange, obstructive consequences for ongoing political games (economic policies) or even an established meta-game (political-economic regime) might occur.

Consequently, purely private actors, such as large companies, might engage in political exchanges (e.g. through strategic planning decisions) without state involvement, as long as their actions are themselves politically coordinated; or aimed at political response; or, having unintentionally affected ongoing games, could convert their disruptive potential for political enjeux into repayment from the political arena etc.



Exchanges are political not because the participants involved are political actors such as political parties or state agencies, nor because the resources exchanged are non-economic or non-monetary: State procurement or (sub)contracting, parties buying newspapers or TV-channels or the use of money as a power resource might provide sufficient examples to dismiss this idea. On the other hand, state procurement or contracting policies to maintain domestic industries, can, of course, be part of political exchanges, as can be the acquisition policy of a party; whether they actually are or not depends on their main contextual reference. It is this (political, power) reference frame of transactions, not the immanent nature of the trading parties or the valuables traded, which makes political exchanges political.

Still, trading parties and exchange processes in political transactions differ systematically from economic market exchanges. In numbers, they are restricted: Few actors instead of many. With regard to context, structures extend into the transaction: Actors are ordered, not "unweighted" and equal. With regard to underlying interests, they are neither sufficiently congruent (as in organizations) nor independent (as in competitive markets): Rather, they are fundamentally divergent or even opposed/antagonistic, but also interdependent, to the point of mutual contingency; and it is the very process of political exchange expected to transform antagonistic interdependent into compatible interests.



As this transformation process takes time and develops further over time, political in contrast to market exchange cannot be a singular act of contractual agreement, but is an evolving, enduring, longitudinal relationship. Social "pacts" - such as the famous Swedish peace treaty or the Swiss "Arbeitsfrieden" of the prewar period or the Moncloa pact in the recent Spanish transition period form authoritarianism to democracy - however historically decisive they might have become later, in themselves are not yet political exchanges, but (at best) first, initiating steps towards future exchange. British "social contracts" in the seventies demonstrate that pacts, while expressing a preceding compromise and hopes for continuing cooperation, often (and may be more often than not) do not constitute the start of ongoing political exchanges.

This leads to a final distinction of political in contrast to economic market exchanges: Transactions do not only need time to develop at all and develop further over time and create their own, transaction-specific time horizons and patterns, they do always also develop within a specific historical time. Historical time impregnates political exchanges profoundly and decides about what possible developmental path they actually take. Other than economic market transactions, political exchanges simply cannot be understood without their historical origins and genetic evolution, as they cannot be understood outside their socio-structural contexts.



But what, then, makes generalized political exchange a distinct and most precarious type of political exchange - and its prototype also? The following paragraph summarizes some of the preceding discussions.

#### Approximating Generalized Political Exchange

- Generalized political exchange (GPE) is an analytical tool of encompassing scope: It deals with a specific class of transactions concerning the overall political economy/ecology, that is comprehensive macroeconomic/-political management. Consequently, the terrain it focuses on as an exchange field is a politically induced and ordered interdependence of a multiplicity of markets (or other constraining factors such as technological, ecological, spatial etc. conditions) and their interpenetration with political arenas - and not just "the political aspects of the labour market", defined as "political market", as in Scambio politico. This domain or space which in the 'Italian model' is called the "political market" comprises exchanges necessary to establish market hierarchies as well as all transactions possible within a network of political games. But neither can this network of generalized political exchange be reduced to a market model, nor can politics in general.
- GPE deals not only with the (re)distribution/appropriation of public goods or with regulatory policies, but also with the production of collective goods as well as the mutual insurance



of participating actors against inevitable transactional risks. This value-adding production of public goods through GPE requires a division of political labor between collective actors. The corresponding role-set for inter-organizational concertation makes that the "political market" is no market, but better understood by a combination of supply-side and mutual insurance models of politics.

- The principle enjeu of GPE is societal governance that is socio-economic reproduction and directing development, and not just any political game, as salient as it might be (abortion, soft drugs or riots in soccer might constitute "hot" policy issues typically below this threshold, whereas an undisputed removal of technical barriers in foreign trade would be important enough, even if "invisible" in public).
- The specific roles of collective actors are defined by their position within the exchange-network, and so are the resources at their disposal. Thus, participants are constituted by the very exchange system, and networks can even be distinguished by the degree they socialize their member behavior - how "totalizing" they are within their partial, but crucial domain. But even well integrated and most extensive exchange structures do not fully control their constituent actors, as almost the very same organized collectivities did constitute the network they are constrained by. Power bases preceding network



emergence/creation or remaining outside the regime - the non-exchange elements of exchange-systems - are persistent sources of structural change or game-disintegration; as are actor excluded from games they originally helped to bring about or late (new)comers to the transaction-cycle. No collective actors, by its very nature, takes part in all games of generalized political exchange, including the state and labor organizations.

- GPE takes place within long chains (cycles, rings etc.) of political exchange or exchange networks, not within a situation of more or less isolated, pure and simple barter. Even if recurrent or even prevalent in certain polities, barter -simple or sophisticated - is nothing but a borderline case of political concertation; and more often its disruption.
- Consequently, GPE is multi-lateral, not bi-partite or tri-partite. This does not preclude, of course, that all kinds of particular deals from simple, dyadic barter to most sophisticated triangular or more extended logrollings might be possible within the overall, multi-lateral structure of the exchange network. GPE differs from political barter not so much that the latter is typically bi-partite while the former is multi-lateral, but that within the comprehensive cycles of GPE all barter of lower order is regulated and controlled by systemic rules, preventing that tangential or side payments or political rents are "up for grab" freely. Political barter does



go on, but it becomes a function of generalized exchange patterns.

- With regard to resources exchanged, GPE is multi-dimensional, and no one-dimensional transaction of social power resources of private interest organizations for political power resources of the state. In GPE, the spectrum of valuables traded ranges from cooperative, non-strategic information-transfer over mutual recognition of political status rights to outright blackmail over rule compromise; with generalized compliance to specific and highly differential rules as the common minimal denominator.
- The generalized rule compliance of each participant constitutes the valued return which the compliance of other actors in the network is contingent upon. GPE does not link mutually rewarding two party/two way transactions, but constitutes a reciprocally contingent, directed flow of compliance with a system of rules imposing different and non-interchangeable obligations on different collective actors - a hierarchically ordered division of political labor.
- Political barter requires resources as well as strategic capacities to use them. GPE, in contrast, more often than not requires the capacity of one or some collective actors to induce other players to systematically forego opportunities for exchanges or strategic capacities altogether, in exchange for either process benefits or hardly calculable system payoffs. This trained incapacity for strategy through commitment to



super-games should be distinguished from Pizzorno's conceptualization, where strategic capacities can consist in a well calculated under-exploitation of opportunities for immediate gains in expectation of future benefits. Renouncing strategy as a kind of meta-strategy is the limiting case of this development away from interactive and towards more roundabout forms of rationality.

- This systems rationality could not emerge within (even perfectly competitive) political markets, whereas it comes about within a well accepted regime of well-organized networks of political exchange. Opportunistic behavior of collective actors is minimized by the very comprehensiveness of the networks, the density and frequency of transactions between few participants, the systemic interdependence of their effects, the restricted, time-limited, short-term character of any concession compared with the encompassing, enduring, long-term character of the cooperative regime they are part of.
- GPE does neither need the state nor other centers creating the 'political market', as do public interventions or policies in Pizzorno's model. Instead, we have to acknowledge a multiplicity of functional equivalent nuclei or (more or less interlocking) nodes, often dominant coalitions of participant actors. By establishing certain market hierarchies (meta-games) or imposing policies (games) pursued within them, these nuclei structure the exchange networks and the power differentials between players according to their position within the transaction-chain. Initiating actors sometimes are, but often are not identical



with those "third parties" or "power banks" guaranteeing that political obligations within the transaction-set will be kept. All those roles are neither fixed once for ever, but change with the games played/meta-games imposed; nor is "the state" a structurally privileged or even determining actor, but one collective party among others - often not an hegemonic or only important one indeed.

- GPE is a generalized transaction-pattern, mediating interchanges across subsystem boundaries. While it is no symbolic medium itself, it builds on generalized media of exchange and subsystem-specific resources such as money, power, influence, value-commitments, trust, political credits, 'half-knowledge' etc., which are partly self-generated and autonomously reproduced components of politically coded intersystem-exchanges. Its logic requires a theoretical exploration of its own.

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2. In the second part we shall consider the case when the functions  $u_i$  and  $v_i$  are assumed to be continuous in the domain  $D$  and to satisfy the boundary conditions

on the surface  $S$  of the domain  $D$ .

3. In the third part we shall consider the case when the functions  $u_i$  and  $v_i$  are assumed to be continuous in the domain  $D$  and to satisfy the boundary conditions

on the surface  $S$  of the domain  $D$ .

4. In the fourth part we shall consider the case when the functions  $u_i$  and  $v_i$  are assumed to be continuous in the domain  $D$  and to satisfy the boundary conditions

on the surface  $S$  of the domain  $D$ .

5. In the fifth part we shall consider the case when the functions  $u_i$  and  $v_i$  are assumed to be continuous in the domain  $D$  and to satisfy the boundary conditions

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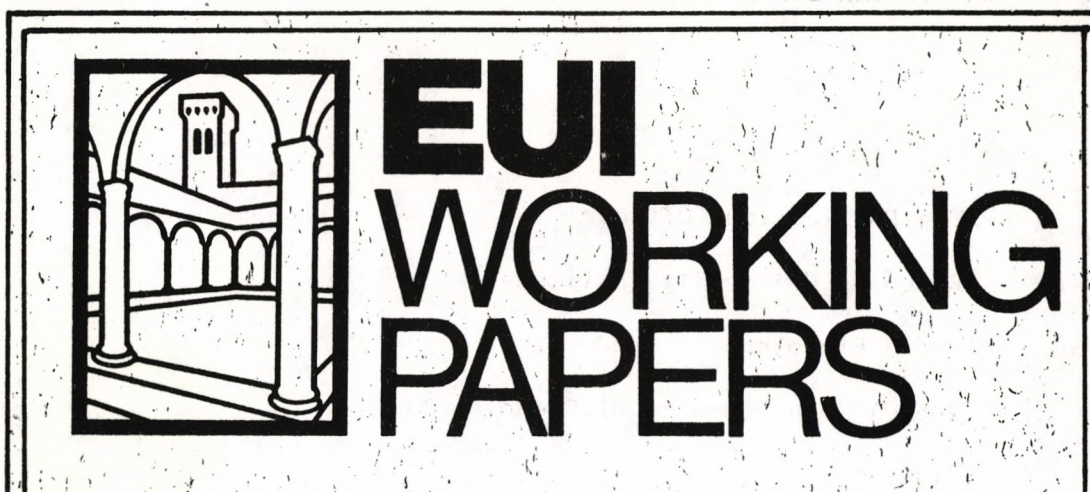
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